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82D CONGRESS, 1st Session | SENATE | REPORT No. 1001

PROVIDING FOR THE WITHHOLDING OF CERTAIN PATENTS THAT MIGHT BE DETRIMENTAL TO THE NATIONAL SECURITY

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MR. WILEY, from the Committee on the Judiciary, submitted the following

REPORT

[To accompany H. R. 4687]

The Committee on the Judiciary, to which was referred the bill (H. R. 4687) to provide for the withholding of certain patents that might be detrimental to the national security, and for other purposes, having considered the same, reports favorably thereon, without amendment, and recommends that the bill do pass.

PURPOSE

The purpose of the proposed legislation is to provide for the withholding of certain patents that might be detrimental to the national security.

STATEMENT

The facts relating to this bill and the justification thereof appear in House Report No. 1028, Eighty-second Congress, first session, which is herein set forth.

The present bill is substituted for H. R. 4687. Hearings were held on the present bill on August 21, 1951. H. R. 4687 is largely H. R. 6389 with minor amendments resulting from the suggestions of industry representatives acceptable to the Department of Defense which are intended to make the bill more equitable, and amendments relating to form. Hearings were also held on H. R. 6389 in the Eighty-first Congress. In view of further amendments, it is desired to report the bill in its new form. This bill changes the temporary act of Congress now in force into permanent law, with several changes recognized as desirable as a result of experience under the temporary law and problems anticipated under a permanent law.

The act of October 6, 1917 (40 Stat. 394, ch. 95; 35 U. S. C. 42) authorized the Commissioner of Patents to withhold from issue patents or inventions important to the national defense during wartime. On July 1, 1940, Public Law 700 was enacted to make the provision of the act of October 6, 1917, effective for 2 years despite the fact that the United States was not at war. This action was decided upon by the Congress because it was apparent that the national interest was endangered by the publication of certain patents. In 1942, Public Law 609 was enacted to keep Public Law 700 in effect during World War II. In 1941, the act was further amended by Public Law 239 to prohibit the filing of foreign patent applications without the license of the Commissioner of Patents and to provide penalties for the violation of the act.

The temporary act, as amended, remains in force during the time when the United States is at war and will cease to be in effect upon the official termination of the war. The purpose of the proposed bill is to grant the Secretary of Commerce, under certain conditions, the authority to keep inventions secret and to withhold issue of patents when necessary for the national security. According to the Defense Department, it is important to the national defense that the issuance of patents resulting from research and development sponsored by the armed services and others relating to classified matters be withheld for a period in which the publication of such matters may jeopardize the national interest. The applications in the Patent Office which are presently being withheld from issuance under Public Law 700 will be issued as patents after the official termination of the war unless legislation to prevent this is enacted. Accordingly, the imminence of the declaration by the Congress of the end of the war with Germany and the signing of the Japanese Peace Treaty places this bill in the class of urgent legislation.

An important difference between this bill and Public Law 700 is that this bill sets up two groups of patent applications based upon whether the Government has a property interest in the invention. If the Government has a property interest, issuance of a secrecy order requires only a recommendation to the Commissioner of Patents by the head of the department or agency involved. The phrase "property interest" is intended to include the ownership of all rights in the invention or to a lesser interest therein such as, for example, cases where the foreign rights are retained by the inventor, or where the Government is entitled only to the interest of one or more joint inventors, and not to the interest of all the joint inventors. This group will consist in the main of inventions made by Government employees or Government contractors. In the other group, the Secretary of Commerce informs the heads of the defense agencies of patent applications whose disclosure might be detrimental to the national security. This group consists for the most part of inventions made by persons not in contact with the Government. It is necessary for the Secretary of Commerce to call the attention of the defense agency to the particular application, since they would otherwise have no knowledge of such application. The opinion of the defense agency concerned is controlling and the order that the invention be kept secret will be made pursuant thereto. The period of secrecy is 1 year, or for the duration of a national emergency declared by the President and 6 months thereafter, or for the duration of hostilities and 1 year following cessation of hostilities. The 1-year period may be renewed or the secrecy classification canceled upon proper notification of the Secretary of Commerce. Under Public Law 700, a secrecy order remains in force until rescinded.

Public Law 700 makes no provision for appeal from the secrecy order. This bill gives the owner of a patent application placed under a secrecy order the right to appeal from the order to the Secretary of Commerce. This amendment is for the protection of persons affected by the secrecy order.

A further amendment to section 1 provides that—

"Upon proper showing by the head of the department or agency who caused the secrecy order to be issued that the examination of the application might jeopardize the national interest, the Secretary of Commerce shall thereupon maintain the application in a sealed condition."

The armed services procurement application provides that they might prohibit the filing of a patent application when it discloses matter which has been classified as secret. Government contractors may thereby be deprived of a property right because they cannot obtain an early filing date on such patent application. The classification is usually reduced and filing permitted at a much later date. The use of the invention for 1 year or more during this period of filing prohibition may prevent the exercise of the filing privilege. Moreover, this act is effective for compensation purposes only after the filing of an application. If the contractor is not permitted to file, he cannot obtain any benefits under the act. It is believed

that the authority to seal the application by the Secretary of Commerce would reduce the necessity to prohibit the filing of a classified application.

Section 1 also includes the following amendment:

"Each individual to whom the application is disclosed shall sign a dated acknowledgment thereof, which acknowledgment shall be entered in the file of the application."

This is to provide evidence of an examination of the application by other than Patent Office personnel. This would establish the date of examination if the application becomes involved in an interference proceeding with a Government-owned application and it would also establish the person who examined it. In times of emergency, industry experts enter Government service for a short period and they may be the men assigned to examine such applications. They may be employed as civilians by a competing company. It is important to establish the fact that they had seen the application in the event that a controversy develops later on.

Section 2 provides that an invention disclosed in an application subject to a secrecy order shall be held abandoned, if, in violation of the order, such invention is publicized or disclosed or filed in a foreign country without consent. The effective date of the abandonment is the date of the violation.

Section 3 differs from Public Law 700 with respect to compensation payable to the owner of an application under a secrecy order. Like Public Law 700, however, it provides for compensation for damages caused by the order of secrecy or for governmental use. Section 3 prescribes a 6-year statute of limitations. It does not require tender of the invention to the Government precedent to recovery of compensation, nor does it defer presentation of a claim for compensation until after a patent issues on the application. It authorizes the head of a department who caused the secrecy order to be issued to make full settlement or, if that cannot be effected, a settlement not exceeding 75 percent of a just compensation. The owner who fails to secure a satisfactory award or who does not apply for compensation may bring suit in the Court of Claims. The 6-year statute of limitations is incorporated to preclude the collection of old claims from the Government, and conforms with the statute of limitations on suits in the Court of Claims. Under Public Law 700, no statute of limitations was provided for the collection of outstanding claims for an unreasonable length of time.

Section 4 prohibits the filing in a foreign country of an application for patent prior to 6 months after filing an application in the United States, unless a license is first obtained from the Secretary of Commerce. This is to prevent filing abroad before the Secretary of Commerce has had an opportunity to examine the application. The 6-month period will also give the departments concerned an opportunity to examine the application. Under Public Law 700, a foreign filing was not permitted unless authorized by the Government.

The provisions of sections 5 and 6 are substantially the same provisions as section 4, Public Law 700, and section 5, Public Law 239. Section 5 provides that a person who files a foreign application without license shall not receive a patent and section 6 incorporates penalty provisions into the act.

Section 7 like section 8 of Public Law 239 provides that the prohibitions and penalties of the act shall not apply to officers or agents of the United States acting within the scope of their authority.

Section 8 authorizes the Atomic Energy Commission, a Secretary of a Defense Department, or the chief officer of any other department designated by the President as a defense agency, and the Secretary of Commerce to separately issue rules and regulations to administer the act.

Section 9 constitutes a saving provision similar to section 6 of Public Law 239.

Section 10 repeals the acts of 1917, 1941, and 1942 but continues the action taken as to secrecy orders in effect on the date of approval of this bill.

Section 11 provides that the Atomic Energy Act of 1946 will not be affected by this act and section 12 sets forth the title of the act.

The necessity for enacting the existing law in permanent form is considered extremely important by the Department of Defense. Moreover, there appears to be general approval of the purpose of the bill. Inventions useful in war are made and developed during times of peace and it is important to prevent knowledge of such inventions being disclosed during times of peace as well as times of war.

Mr. Paul A. Rose testified before the Subcommittee on Patents on August 21, 1951, on behalf of the American Patent Law Association:

"In view of the importance of technological development in modern warfare and the necessity of maintaining a superior military position at all times under conditions as they exist in the world today, it must be recognized that legislation of

this character is necessary, regardless of the technical existence or nonexistence of a state of war."

Testimony by defense officials on this and similar bills before the Congress has indicated that we are in need of such a law. This bill will grant to the Government a permanent right which is possessed by many foreign countries in dealing with their patents.

Lt. Col. Willard J. Hodges, Jr., testified before the Subcommittee on Patents on August 21, 1951, that—

"it is believed essential that there exist in this country laws which will permit a foreign inventor to file an application in the United States Patent Office and have such application placed under an order of secrecy. In order to fulfill this Nation's treaty obligations and reap the full benefits of such joint undertakings, the enactment of this legislation is required."

Although this may prevent a person who first applies for a patent in the United States from availing himself of the 12-month priority period afforded by article 4 of the International Convention for the Protection of Industrial Property with respect to inventions kept secret under the order of the Secretary of Commerce, the executive department favors this bill because of its importance to national defense and because the bill is believed to attain its objective in a reasonable manner. Furthermore, if the bilateral agreements which the country is presently executing with the North Atlantic Treaty countries are consummated, it is anticipated that classified information will be afforded the same degree of security in certain other countries as we propose for this country in this bill. Accordingly, as a practical matter, the inventor will probably be permitted in most instances to file an application in those countries to avail himself of the 12-month priority period despite the secret nature of the invention.

Basically, the bill does not make changes in existing law with respect to its administration. Since the passage of Public Law 700, it has been administered in close cooperation with the defense agencies. The examiners of the Patent Office submit applications to the Patent Office Defense Division to determine whether they disclose inventions important to defense, and the Secretary of Defense has appointed a Patent Advisory Board to consult with the Division and assist in the determination of the applications which should be maintained in secrecy. If enacted, the Defense Department would continue to have access to pending patent applications selected by the Secretary of Commerce which in his discretion would be detrimental to the national security if disclosed.

CHANGED IN EXISTING LAW

In compliance with subsection (4) of rule XXIX of the Standing Rules of the Senate, changes in existing law made by the bill, as reported, are shown as follows (existing law proposed to be omitted is enclosed in black brackets, new matter is printed in italics, existing law in which no change is proposed is shown in roman):

AN ACT OF CONGRESS APPROVED JULY 1, 1940 (PUBLIC LAW NO. 700, 76TH CONG.)

[That the Act of Congress approved October 6, 1917 (40 Stat. 394, ch. 95, U. S. C., title 35, sec. 42), be amended to read as follows:

"Whenever the publication or disclosure of an invention by the granting of a patent might, in the opinion of the Commissioner of Patents, be detrimental to the public safety or defense he may order that the invention be kept secret and withhold the grant of a patent for such period or periods as in his opinion the national interest requires: *Provided*, That the invention disclosed in the application for said patent may be held abandoned upon it being established before or by the Commissioner that in violation of said order said invention has been published or disclosed or that an application for a patent therefor has been filed in a foreign country by the inventor or his assigns or legal representatives, without the consent or approval of the Commissioner of Patents.

"When an applicant whose patent is withheld as herein provided and who faithfully obeys the order of the Commissioner of Patents above referred to shall tender his invention to the Government of the United States for its use, he shall, if and when he ultimately receives a patent, have the right to sue for compensation in the Court of Claims, such right to compensation to begin from the date of the use of the invention by the Government: *Provided*, That the Secretary of War or the Secretary of the Navy or the chief officer of any established defense agency

of the United States, as the case may be, is authorized to enter into an agreement with the said applicant in full settlement and compromise for the damage accruing to him by reason of the order of secrecy, and for the use of the invention by the Government."

SEC. 2. This Act shall take effect on approval and shall remain in force for a period of two years from such date.]

AN ACT OF CONGRESS APPROVED JUNE 16, 1942 (PUBLIC LAW 239, 77TH CONG.)

[That the Act of Congress approved July 1, 1940 (Public, Numbered 700, Seventy-sixth Congress, third session, ch. 501), be amended by adding the following sections:

"SEC. 3. No person shall file or cause or authorized to be filed in any foreign country an application for patent or for the registration of a utility model, industrial design, or model in respect of any invention made in the United States, except when authorized in each case by a license obtained from the Commissioner of Patents under such rules and regulations as he shall prescribe.

"SEC. 4. Notwithstanding the provisions of sections 4886 and 4887 of the Revised Statutes (35 U. S. C., secs. 31 and 32), any person and the successors, assigns, or legal representatives of any such person shall be debarred from receiving a United States patent for an invention if such person, or such successors, assigns, or legal representatives shall, without procuring the authorization prescribed in section 3 hereof, have made or consented to or assisted another's making application in a foreign country for a patent or for the registration of a utility model, industrial design, or model in respect of such invention where authorization for such application is required by the provisions of section 3, and any such United States patent actually issued to any such person, successors, assigns or legal representatives so debarred or becoming debarred shall be invalid.]

[SEC. 5. Whoever, during the period or periods of time an invention has been ordered to be kept secret and the grant of a patent thereon withheld pursuant to the Act approved July 1, 1940 (Public, Numbered 700, Seventy-sixth Congress, third session, ch. 501), shall, with knowledge of such order and without due authorization, willfully publish or disclose or authorize to cause to be published or disclosed such invention, or any material information with respect thereto, or whoever, in violation of the provisions of section 3 hereof, shall file or cause or authorize to be filed in any foreign country an application for patent or for the registration of a utility model, industry design, or model in respect of any invention made in the United States, shall, upon conviction, be fined not more than $10,000 or imprisoned for not more than two years, or both.

"SEC. 6. If any provision of this Act or of any section thereof or the application of such provision to any person or circumstances shall be held invalid, the remainder of the Act and of such section and application of such provision to persons or circumstances other than those as to which it is held invalid shall not be affected thereby.

"SEC. 7. As used in this Act—

"The term 'person' includes any individual, trustee, corporation, partnership, association, firm, or any other combination of individuals.

"The term 'application' includes applications, and any modifications, amendments, or supplements thereto or continuances thereof.

"SEC. 8. The prohibitions and penalties of this Act shall not apply to any officer or agent of the United States acting within the scope of his authority."

SEC. 2. This Act shall take effect thirty days after its approval.]

AN ACT OF CONGRESS APPROVED JUNE 16, 1942 (PUBLIC LAW 609, 77TH CONG.)

[That section 2 of the Act of Congress approved July 1, 1940 (Public, Numbered 700, Seventy-sixth Congress, third session, ch. 501), be amended to read as follows:

"SEC. 2. This Act shall take effect on approval and, together with the provisions of the Act of August 21, 1941 (Public Law 239, Seventy-seventh Congress, first session, ch. 393), shall remain in force during the time when the United States is at war."]

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